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Marketing Charges for

California Long White Potatoes

Sold in Los Angeles, Chicago, and New York City During the 1956 Season

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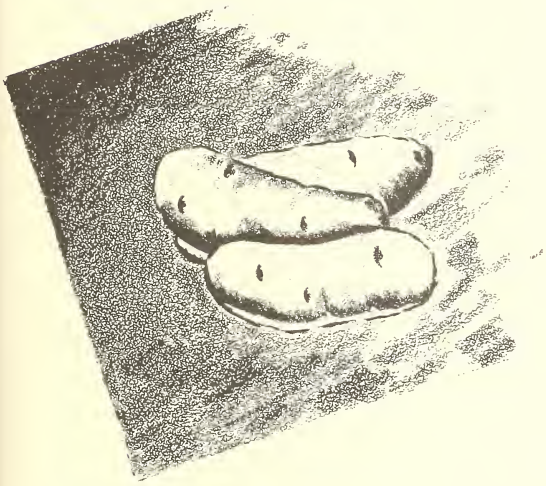

Marketing Research Report No. 193

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Marketing Research Division
Washington, D. C.

This report on marketing charges for California Long White Potatoes is part of a broad program of research designed to provide information on costs of marketing food.

November 1957

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Marketing Charges for

California Long White Potatoes

Sold in Los Angeles, Chicago, and New York City During the 1956 Season

By Joseph C. Podany, agricultural economist
Market Organization and Costs Branch
Agricultural Marketing Service

SUMMARY

Marketing charges cover the many services required to move, process, and distribute a product from grower to consumer. As part of their marketing, potatoes are washed, graded, bagged, hauled to market centers, unloaded, sold several times, and repacked before being displayed for the consumer. This report presents the costs and margins for California Long White potatoes marketed in 3 cities during the 1956 season. California Long White potatoes are principally of the White Rose variety.

During the 1956 season marketing charges for U. S. No. 1A California Long White potatoes averaged $5.31 per 100 pounds on sales in Los Angeles, $6.71 on sales in Chicago, and $7.66 on sales in New York—54, 65, and 67 percent of the average retail prices, respectively.

It cost an average of 66 cents to wash, grade, bag, and sell 100 pounds of potatoes in 1956.

Transportation charges from Bakersfield to Los Angeles were approximately 30 cents per 100-pound bag. Rail transportation charges from Bakersfield to Chicago were $1.83; to New York City, $2.28 per bag.

The wholesale margin per 100-pound bag of Long Whites averaged $0.25 in Los Angeles, $1.11 in Chicago, and $1.76 in New York during the 1956 season.

The retail margin per 100-pound bag averaged $4.08 in Los Angeles, $3.11 in Chicago, and $2.96 in New York City during the 1956 season.

Returns to growers at the packinghouse receiving door averaged $4.50 per 100-pound bag for U. S. No. 1A Long White potatoes sold in Los Angeles, $3.56 per bag for those sold in Chicago, and $3.72 per bag on New York City sales during the 1956 season.

MAJOR PRODUCTION AREAS

The bulk of California Long White potatoes is marketed from May through August. During this 4-month period, Long Whites account for practically all of the California potatoes marketed. Shipments to market from Kern County, the most important producing district in California, begin in May, reach a peak in June, and taper off sharply in July. Other Long White districts, principally the Perris Val-

ley area in San Bernardino and Riverside Counties and the Stockton section in the northern part of San Joaquin Valley, account for most of the potato shipments during July and August.

In Los Angeles, Chicago, and New York City, Long White potatoes make up a substantial portion of potato unloads during the months of peak production. For the period 1953 to 1956, they accounted for 98 percent of all potato unloads in Los Angeles during July and August. During the same years they represented over three-fourths of total potato unloads in Chicago in July, and over two-thirds in August. The Long Whites were of less importance in New York City than in the other two markets, comprising on the average about one-fourth of the total potato unloads during July.

PRICE VARIATION

Prices at various shipping points vary widely from season to season and, within the season, from day to day (figs. 1 and 2). Changes in the supply of potatoes during the season due to weather conditions, quality of available potatoes, market restrictions, and the outlook of various elements in the trade are chiefly responsible for short-run changes in prices within the season.

The difference in price levels from season to season and the variety of patterns within a season are apparent in the price charts (figs. 1 and 2). Marketing margins vary with changes in price levels and cost factors. The margin may be somewhat different when supplies are relatively short and shipping point prices favorable than when supplies are heavy and prices are low.

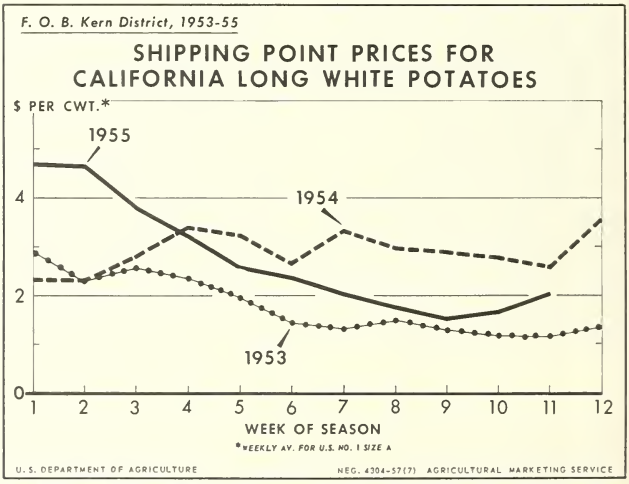
F. O. B. Kern District, 1953-55
SHIPPING POINT PRICES FOR CALIFORNIA LONG WHITE POTATOES
$ PER CWT.*
1955
1954
1953
4
2
0
1 2 3 4 5 6 7 8 9 10 11 12
WEEK OF SEASON
*WEEKLY AV. FOR U.S. NO. 1 SIZE A
U. S. DEPARTMENT OF AGRICULTURE
NEG. 4304-57(7) AGRICULTURAL MARKETING SERVICE

Figure 1.—Weekly average f. o. b. shipping point prices for California Long White potatoes, Kern District, U. S. No. 1 Size A, 1953–55 seasons.

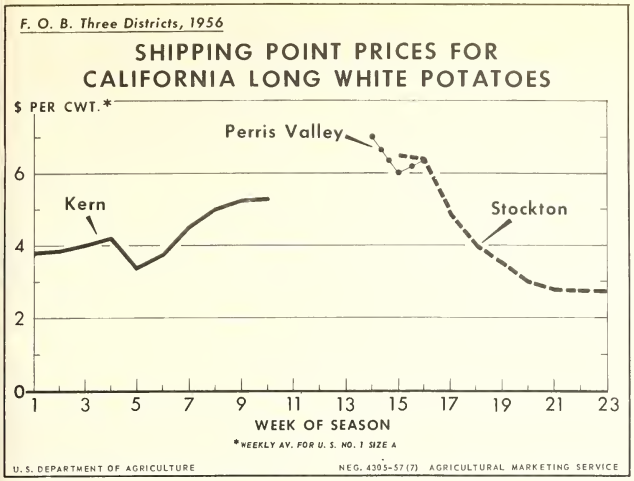

Figure 2.—California Long White potatoes, weekly shipping point prices, 1956 season.

SOURCES OF DATA

Data on packing costs for potatoes were obtained from a sample of grower-shippers in Kern County. These costs are believed to be typical for reasonably efficient packinghouse operations. Railroad freight rates and refrigeration charges were obtained from the Atchison, Topeka & Santa Fe Railroad Co. Truck transportation rates to Los Angeles were furnished by the Kern County Potato Growers Association. Other data pertaining to practices and costs at shipping points were obtained from the Kern County Potato Growers Association, the Long White Potato Advisory Board, and the California Agricultural Extension Service.

Shipping point and wholesale prices were obtained from the Market News Branch, Fruit and Vegetable Division, Agricultural Marketing Service. Retail price data were supplied by the Bureau of Labor Statistics, U. S. Department of Labor. The retail prices were for the first 3 days of the week which included the 15th of the month. Shipping point and wholesale prices used in this report were for days sufficiently in advance of those for retail to allow time for potatoes to move through channels. The farm-to-retail margins calculated from these data are only for the periods for which retail prices are available. During a season of rapidly changing prices such as 1956, the margins also change quickly. If retail price data had been available for other dates, the margins might have been somewhat different.

PACKINGHOUSE COSTS

Packinghouse operations in 1956 cost an average of 66 cents per 100-pound bag. The operations included unloading potatoes from the truck, washing, grading, bagging, and loading them onto rail cars or trucks. The most important costs were labor and materials (chiefly bags), each of which accounted for about 30 percent of the total. Equipment plus other operating costs, and selling costs, each made up another 15 percent of the total. Most of the sales were made f. o. b. packinghouse.

Average costs of packing California Long White potatoes, 1956 season, were as follows:

Item	*Dollars per 100-pound bag*
Labor	0.200
Equipment and other operating cost	.100
Bags and other material	.214
Inspection fees	.026
Advisory Board assessment	.015
Selling costs	.104
Total	0.659

TRANSPORTATION

Charges for rail transportation from Bakersfield to Los Angeles with precooling but no refrigeration amounted to 30 cents per 100-pound bag. Transportation to Los Angeles by truck was 32 cents per 100-pound bag. Of the potatoes shipped from Bakersfield to Los Angeles, most of them were shipped by truck and sold on the trucklot basis to wholesalers. Rail transportation charges from Bakersfield to Chicago were $1.83; to New York City, $2.28 per bag. Rail transportation charges include freight, a charge for precooling, a refrigeration charge with 1 reicing to Chicago and 2 reicings to New York City, and the 3-percent Federal tax (table 1).

WHOLESALE MARGIN

The wholesale margin in New York City and Chicago is the difference between the shipping point price and the wholesale selling price, minus transportation costs. In Los Angeles it is the difference between the trucklot price and the wholesale selling price. On Long Whites the wholesale margin averaged $0.25 in Los Angeles, $1.11 in Chicago, and $1.76 in New York (tables 2 to 4) during the 1956 season.

Charges for the following may be included in the wholesale margin:

(1) Unloading from truck or rail car at warehouse.

(2) Selling to retail store.

(3) Repacking into consumer-size package, in some cases.

(4) Losses occurring in repacking.

Wholesale margins followed different seasonal patterns in each of the 3 cities. In Los Angeles, the wholesale margin was a constant 25 cents per hundredweight throughout the 4-month period. In Chicago, the average wholesale margin for Long Whites was 37 cents per 100 pounds in May and 67 cents in June. The margin rose sharply to $2.82 in July when wholesale prices averaged nearly $4.00 higher than in June. The California Long White season in New York City was only 3 months long—June through August. The average wholesale margin in New York was $1.28 in June, and rose to $2.97 in July, with average wholesale prices $3.44 higher than in June.

TABLE 1.—*Rail transportation charges for California Long White potatoes, Bakersfield to Los Angeles, Chicago, and New York City, May–August 1956*

Cost, including Federal tax	Charges per 100-pound bag [1]		
	Los Angeles	Chicago	New York City
	Cents	*Cents*	*Cents*
Freight	0. 261	1. 581	1. 956
Precooling	. 043	. 043	. 043
Refrigeration, Rule 247: [2]			
1 reicing	----------	. 209	----------
2 reicings	----------	----------	. 278
Total	. 304	1. 833	2. 277

[1] Estimated shipping weight of 100-pound bag of potatoes is 101 pounds.
[2] Rule 247 (National Perishable Freight Committee Protective Tariff 17) calls for initial icing, and 1 or 2 reicings in transit.

TABLE 2.—*Average prices, and marketing costs and margins, for 100 pounds of California Long White potatoes (U. S. No. 1A), marketed in Los Angeles, May–August 1956*

Item	May	June	July	August	Weighted average [1]
Prices or returns: [2]	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Returns to grower	3. 12	3. 53	6. 93	4. 03	4. 50
Returns to packinghouse	3. 78	4. 18	7. 58	4. 68	5. 16
Trucklot price	4. 10	4. 50	7. 90	5. 00	5. 48
Wholesale price	4. 35	4. 75	8. 15	5. 25	5. 73
Retail price	8. 17	9. 15	12. 10	9. 35	9. 81
Costs and margins:					
Packinghouse costs	. 66	. 66	. 66	. 66	. 66
Truck freight charges [3]	. 32	. 32	. 32	. 32	. 32
Wholesale margin [4]	. 25	. 25	. 25	. 25	. 25
Retail margin [5]	3. 82	4. 40	3. 95	4. 10	4. 08
Total	5. 05	5. 63	5. 18	5. 33	5. 31
Percentage of retail price:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Packinghouse costs	8. 1	7. 2	5. 5	7. 1	6. 7
Truck freight charges	3. 9	3. 5	2. 6	3. 4	3. 3
Wholesale margin	3. 1	2. 7	2. 1	2. 7	2. 5
Retail margin	46. 8	48. 1	32. 6	43. 9	41. 6
Total margin [6]	61. 8	61. 5	42. 8	57. 0	54. 1

[1] Monthly prices weighted by unloads.
[2] *Return to grower:* Packinghouse return less charges for packing and selling.
Return to packinghouse: Trucklot price less transportation.
Trucklot and wholesale price: Average prices for Tuesday of the week including the 8th of the month.
Retail price: Average price first 3 days of the week containing the 15th of the month. Bureau of Labor Statistics.
[3] Truck freight from Bakersfield to Los Angeles, Calif., including 3-percent Federal tax.
[4] Wholesale less-than-carlot price less trucklot price.
[5] Retail price less wholesale price. [6] Discrepancies are due to rounding.

TABLE 3.—*Average prices per 100 pounds, and marketing costs and margins, for California Long White potatoes (U. S. No. 1A) marketed in Chicago, May–August 1956*

Item	May	June	July	August	Weighted average [1]
Prices or returns: [2]	*Dollars*	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Returns to grower	3. 09	3. 09	4. 84	3. 96	3. 56
Shipping point price	3. 75	3. 75	5. 50	4. 62	4. 22
Wholesale price	5. 95	6. 25	10. 15	6. 25	7. 16
Retail price	9. 15	9. 35	13. 19	9. 45	10. 27
Margins and costs:					
Packinghouse costs	. 66	. 66	. 66	. 66	. 66
Rail freight charges [3]	1. 83	1. 83	1. 83	1. 83	1. 83
Wholesale margin [4]	. 37	. 67	2. 82	−. 20	1. 11
Retail margin [5]	3. 20	3. 10	3. 04	3. 20	3. 11
Total	6. 06	6. 26	8. 35	5. 49	6. 71
Percentage of retail price:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Packinghouse costs	7. 2	7. 1	5. 0	7. 0	6. 4
Rail freight charges	20. 0	19. 6	13. 9	19. 4	17. 8
Wholesale margin	4. 0	7. 2	21. 4	−2. 1	10. 8
Retail margin	35. 0	33. 2	23. 0	33. 9	30. 3
Total margin [6]	66. 2	67. 0	63. 3	58. 1	65. 3

[1] Monthly prices weighted by unloads.

[2] *Return to grower:* Shipping point price less charges for packing and selling.

Shipping point price: Average price 6 days before wholesale price, or average price on nearest preceding day for which prices were available.

Wholesale price: Average price less than carload lots for Tuesday of the week including the 8th of each month.

Retail price: Average price first 3 days of the week containing the 15th of each month. Bureau of Labor Statistics.

[3] Rail freight from Bakersfield, Calif., including refrigeration under Rule 247 with one reicing and 3-percent Federal transportation tax.

[4] Wholesale price less transportation and shipping point price.

[5] Retail price less wholesale price.

[6] Discrepancies are due to rounding.

With the rapid changes in prices which took place during August, many Chicago and New York wholesalers who had bought potatoes f. o. b. shipping point found that the wholesale selling price had dropped below their costs by the time the potatoes reached the markets. On potatoes sold in mid-August, Chicago wholesalers lost an average of 20 cents per bag and New York City wholesalers an average of 28 cents per bag.

RETAIL MARGIN

The difference between the wholesale selling price and the retail price is the retail margin. The retail margin averaged $4.08 in Los Angeles, $3.11 in Chicago, and $2.96 in New York City during the 1956 season (tables 2 to 4).

The retail margin includes the cost of:

(1) Loading truck at wholesalers' or chain warehouse and delivery to the retail store.

(2) Unloading at retail store and moving into produce storage.

TABLE 4.—*Average prices per 100 pounds, and marketing costs and margins, for California Long White potatoes (U. S. No. 1A) marketed in New York City, June–August 1956*

Item	June	July	August	Weighted average [1]
Prices or returns: [2]	*Dollars*	*Dollars*	*Dollars*	*Dollars*
Returns to grower	2. 84	4. 59	5. 34	3. 72
Shipping point price	3. 50	5. 25	6. 00	4. 38
Wholesale price	7. 06	10. 50	8. 00	8. 42
Retail price	10. 53	12. 79	10. 63	11. 38
Margins and costs:				
Packinghouse costs	. 66	. 66	. 66	. 66
Rail freight charges [3]	2. 28	2. 28	2. 28	2. 28
Wholesale margin [4]	1. 28	2. 97	−. 28	1. 76
Retail margin [5]	3. 47	2. 29	2. 63	2. 96
Total	7. 69	8. 20	5. 29	7. 66
Percentage of retail price:	*Percent*	*Percent*	*Percent*	*Percent*
Packinghouse costs	6. 3	5. 2	6. 2	5. 8
Rail freight charges	21. 7	17. 8	21. 4	20. 0
Wholesale margin	12. 2	23. 2	−2. 6	15. 5
Retail margin	33. 0	17. 9	24. 7	26. 0
Total margin [6]	73. 0	64. 1	49. 8	67. 3

[1] Monthly prices weighted by unloads.
[2] *Return to grower:* Packinghouse return less charges for packing and selling.
Shipping point price: Average price 10 days before wholesale price or average price on nearest preceding day for which prices were available.
Wholesale price: Average price less than carload lots for Tuesday of the week including the 8th of each month.
Retail price: Average price first 3 days of the week containing the 15th of each month. Bureau of Labor Statistics.
[3] Rail freight from Bakersfield, Calif., including refrigeration under Rule 247 with 2 reicings and 3-percent Federal transportation tax.
[4] Wholesale price less transportation and shipping point price.
[5] Retail price less wholesale price.
[6] Discrepancies are due to rounding.

(3) Moving into produce department, stacking consumer bags or placing bulk potatoes on display.

(4) Maintenance of display, including removal of spoiled or damaged potatoes.

(5) Bagging, when not done at wholesale or at shipping point and weighing potatoes.

(6) Checkout and often delivery to customer's car.

Average losses from waste and spoilage of from 1 to 2 percent of volume purchased are common in the retail store. In other words, for each 100 pounds of California potatoes purchased by the store, 98 to 99 pounds were sold. In this report a waste and spoilage factor of 1.6 percent of volume purchased was used.[1] The retail selling price is adjusted to account for this loss from waste and spoilage.

The retail margin varied during the season. In Los Angeles, it fluctuated during the 4-month period from a low of $3.82 in May to a high of $4.40 in June. During July when the wholesale and retail prices

[1] W. N. Garrott. Marketing Charges for Potatoes Sold in Pittsburgh, Pennsylvania, December 1949–June 1950. Mktg. Res. Rpt. No. 5, U. S. Bur. Agr. Econ., May 1952.

were the highest, the margin was $3.95. In Chicago, the retail margin from May to August ranged from a low of $3.04 in July when average wholesale and retail prices were both at their seasonal peak to $3.20 in May and August. Retail prices in New York City on California potatoes during the 1956 season were reported only from June through August. The average retail margin in New York City ranged from a low of $2.29 in July to a high of $3.47 in June. Both wholesale and retail prices were highest in July.

RETURNS TO GROWER

The difference between the shipping point price or its equivalent and charges for washing, grading, bagging, loading on truck or rail car, and selling is the grower's return at the packinghouse receiving door.

The return to the grower at the packinghouse door averaged $4.50 per 100-pound bag for Long White potatoes sold in Los Angeles, $3.56 per bag for those sold in Chicago, and $3.72 per bag in New York City, during the 1956 season (tables 2 to 4). This was 46 percent of the retail price for potatoes sold in Los Angeles, 35 percent in Chicago, and 33 percent in New York City.

Prices and returns were highest during July (except for returns on shipments to New York City in August). Packinghouse receiving door returns to growers on potatoes sold in Los Angeles ranged from $3.12 per 100-pound bag in May to $6.93 per bag in July. Returns to growers for shipments to Chicago ranged from $3.09 per bag in May and June to $4.84 per bag in July. For shipments to New York City grower returns ranged from $2.84 per bag in June to $5.34 per bag in August.

Wholesale and retail prices on California Long Whites were generally highest in New York City, next highest in Chicago, and lowest in Los Angeles (tables 2 to 4 and fig. 3). Packinghouse returns for marketings in Los Angeles were higher throughout the season than shipping point prices for out-of-State marketings. Grower returns were highest for marketings in Los Angeles (except in August), next highest in Chicago, and lowest in New York City.

As indicated earlier, in May and June when all prices were rising (figs. 4 to 6), grower returns were lower and made up a smaller share of the retail price than in July and August when prices were falling.

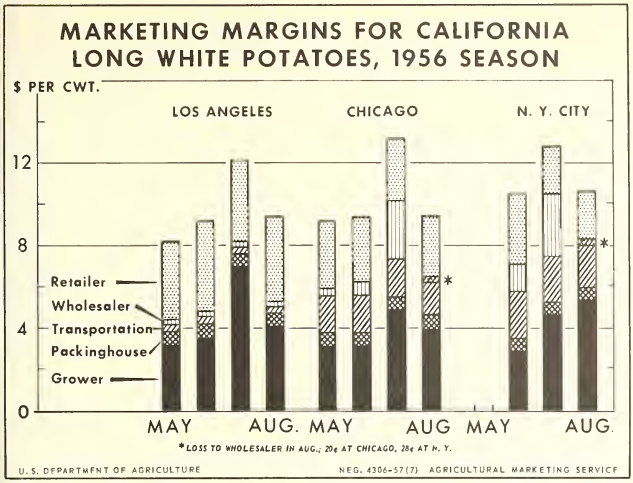

Figure 3.—California Long White potatoes: Costs, margins, and grower returns, 1956 season

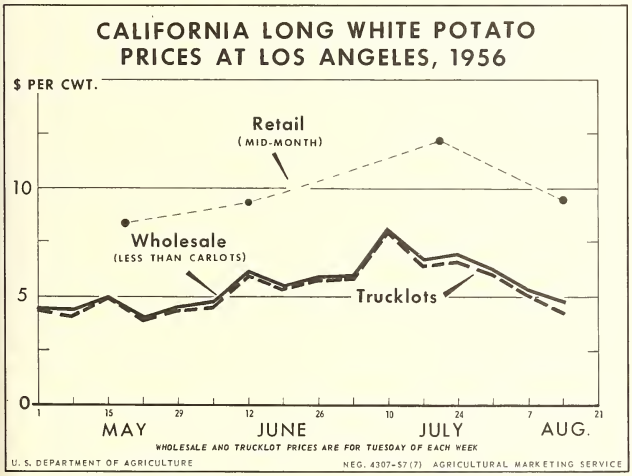

Figure 4.—California Long White potatoes in Los Angeles—weekly (Tuesday) wholesale and trucklot prices with indicated mid-month retail prices, 1956 season.

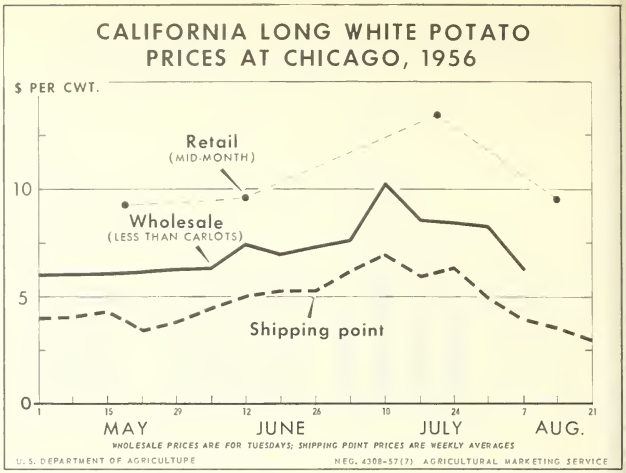

Figure 5.—California Long White potatoes in Chicago—wholesale prices for Tuesdays, weekly average shipping point prices, and mid-month retail prices, 1956 season.

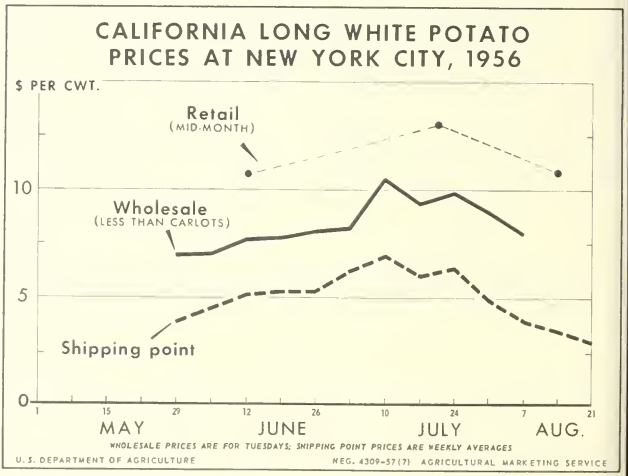

Figure 6.—California Long White potatoes in New York City—wholesale prices for Tuesdays, weekly average shipping point prices, and mid-month retail prices, 1956 season.

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